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DRUG STORE NEWS

Vol. 8/No. 13 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. June 9, 1986

Pay 'n Save Corp. to go public again

By Lou Karney

SEATTLE — Less than two years after Pay 'n Save Corp. went private in a leveraged buyout to management and The Trump Group, the 108-store retail drug division is going public again.

In addition, PNS Inc., Pay 'n Save's holding company, is acquiring the 33-store Bi-Mart discount drug chain from Pay 'n Save subsidiary Seattle Standard Corp., presumably to increase buying and administrative efficiencies. The transaction—$84 million in cash—will come from the net proceeds of the PNS stock/bond/note offering.

The offering by PNS totals approximately $275 million and consists of (1) three million shares of common stock, valued at $16-$18 per share, or approximately $50 million; (2) $100 million in convertible debentures due June 15, 2006; and (3) $125 million in senior subordinated notes due June 15, 1996.

The underwriting group will be led by Drexel Burnham Lambert.

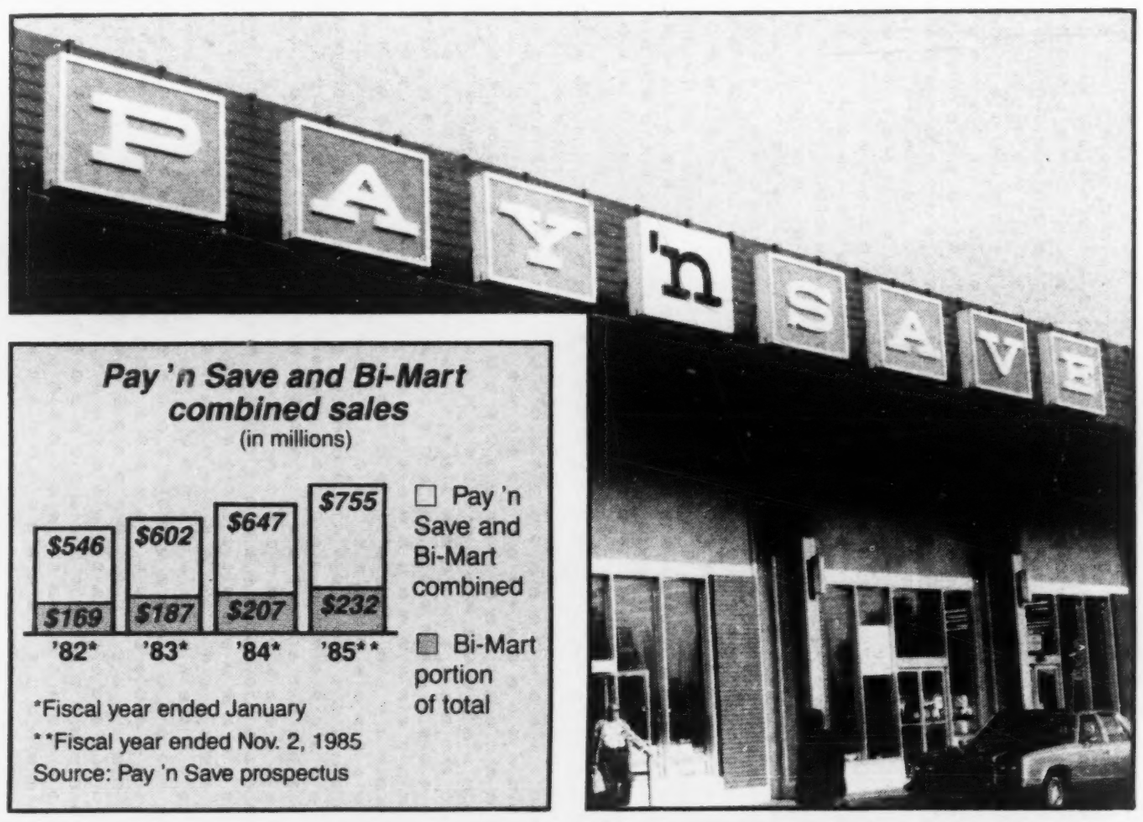
Proceeds earmarked

Proceeds from the offering will be used to repay Pay 'n Save's debt, as well as to finance a vastly expanded distribution system.

Although Pay 'n Save officials would not comment during the registration period (expected to last a month), the SEC prospectus notes that "during the period Feb. 1 to Nov. 1, 1986, the company plans to spend approximately $30 million for a buildup of inventories and approximately $31 million for property and equipment. The latter reflects certain extraordinary expenditures, including $22 million for the acquisition, fixturing and expansion of the Auburn distribution center and $5 million for remodeling store interiors. In fiscal 1987, the company plans approximately $7 million in capital expenditures."

This summer, Pay 'n Save will complete the mechanization of its 350,000-sq.-ft. (including mezzanine) Auburn

*See **Pay 'n Save**, page 34*



SDM names David Bloom as chairman

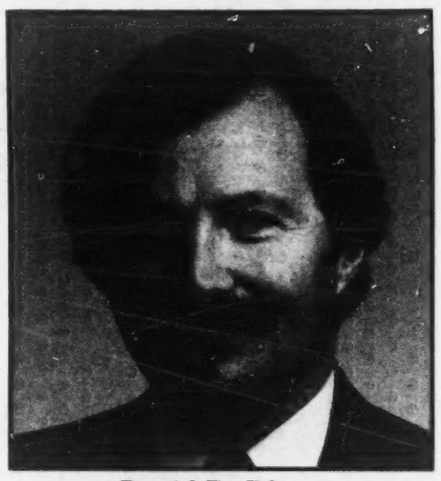
TORONTO — David R. Bloom has become one of the youngest chairmen in the retail drug industry with his appointment to the top spot at Shoppers Drug Mart by parent Imasco Limited.

Bloom, 42, retains his current title of president and ceo. The move culminates his rapid rise at Canada's dominant drug chain, where his imprint has been felt markedly the past three years.

Repositioned SDM

He's largely credited with repositioning Shoppers Drug Mart into an operator of four distinct store formats that has enabled the company to grow by diversification. When he became president in 1983, SDM ran about 400 conventional 6,000-sq.-ft. stores and had operations in Florida and

*See **Bloom**, page 34*



David R. Bloom

Trading by Dart Group is responsible for a 6½-point climb in the price of Safeway stock, to 44⅜, during the two week period prior to presstime, market sources said. Two blocks of shares totaling 3.5 million shares created the most movement. Dart Group is said to have a big war chest, having sold its drug stores for $160 million and having placed $250 million worth of debentures.

Survey: Rx buyers report cosmetic allocations See page 33

The pros and cons of estrogens' effects See page 28

Fay's acts to stop slump

Plans include hiring freeze, raising margins

LIVERPOOL, N.Y. — Fay's is taking steps to uplift eroded margins in its upstate New York markets and contain costs chainwide, in order to rebound from its recent profits slump.

A freeze on management hiring and wages is also part of its get-well regimen to help stop the slide, which produced a $1.1 million first-quarter net loss. It was Fay's first loss in any quarter since 1974.

It stemmed in part from Fay's large stock of young stores less than three years old, which had also contributed to the sharp downturn in the 1986 fiscal year, Fay's officers told shareholders at the annual meeting here.

Operating losses sustained

"The loss from the first quarter is primarily the result of operating losses sustained by stores opened . . . during the past three years," said Fay's chairman Henry A. Panasci Jr. He also noted continued weakness in mature store sales because of intense pricing competition in key markets.

Panasci said 41% of Fay's 159 stores are less than three years old, including its Paper Cutter office supply stores and its Wheels auto parts stores. Since Fay's drug stores break even at $3.3 million annual sales and specialty outlets at somewhat less, most of the newer stores re-

*See **Fay's**, page 34*

Diversion probe targets Rxer

WEST PLAINS, Mo. — The Justice Department's sweeping probe of prescription drug diversion activities has broadened into Missouri, where undercover FBI agents are investigating allegations of a variety of illegal—and bizarre—diversion practices by Wal-Mart pharmacists.

According to a sworn affidavit filed with a U.S. District Court judge in Missouri, the alleged practices range from a carefully orchestrated Rx sample "shucking" operation to "the retrieval of partially used prescription drugs from the effects of dead nursing home patients for redispensing to other patients with prescriptions."

See related story, page 27

The chief target of the Missouri probe: pharmacist Wayne Prewett, described in the affidavit as a "very powerful and influential" West Plains businessman who leased the pharmacy department in the local Wal-Mart "Discount City" and also owns

*See **Probe**, page 34*

Accused denies taking pills from dead

WEST PLAINS, Mo. — Independent pharmacist Wayne Prewett flatly denied Rx diversion charges leveled against him in an FBI affidavit on file with the U.S. District Court.

Prewett, who was continuing to dispense drugs at his Burton Creek pharmacy at presstime, told *Drug Store News* that the accusations contained in the court papers stem from untrue statements by one of his former employees.

Although Prewett acknowledged that a court-ordered search of his pharmacy turned up quantities of Rx samples,

*See **Accused**, page 34*

NEWS IN BRIEF

Retired Strother ceo Klein dies

LYNCHBURG, Va. — Joseph C. Klein, the retired chairman and ceo of Strother Drug Co., died early last month at the Medical College of Virginia, Richmond, following a short illness.

Klein, who joined the wholesaling company in 1956, became a vp and director in 1961. A decade later he was named president and treasurer, serving in that capacity until 1983, when he became chairman and ceo. He retired from Strother, a division of Alco Standard Corp., in 1984.

Klein also held numerous positions with the National Wholesale Druggists' Association. He was elected to NWDA's Board of Directors in 1975 and served on the board through 1979, when he was elected second vice chairman. In 1980 he was named first vice chairman.

Bergen Brunswig to offer debentures

ORANGE, Calif. — Bergen Brunswig plans to offer $40 million of exchangeable subordinated debentures due 2011, to help raise funds to finance acquisitions, provide working capital and repay bank debt.

According to filings with the Securities and Exchange Commission, Bergen will combine proceeds of this offering with another by its Commtron subsidiary to achieve those goals.

The Bergen offering will be underwritten by Drexel Burnham Lambert, and Commtron's by Drexel and Bear, Stearns.

The Bergen debentures would be exchangeable for common shares in Commtron, which distributes prerecorded videocassettes and consumer electronics products.

In its separate offering, Commtron proposes to sell two million common shares, still to be issued.

Provigo acquires Pharmacom assets

MONTREAL — Provigo has acquired all the assets of Pharmacom Systems Ltd., of Toronto through its subsidiary, National Drug Limited.

Provigo's health and pharmaceutical group, already the largest drug wholesaler in Canada at $750 million annual sales, immediately adds to its network the 500 pharmacies served by Pharmacom.

Pharmacom, the largest seller of pharmacy systems in Canada, will continue to service its existing customer base, Provigo announced.

Castle shutters Fla., Okla. units

CHICAGO, Ill. — Castle Distributors is refocusing on the Chicago market, after pulling out of Florida and Oklahoma.

"Chicagoland's Original Discounter," as it calls itself, is now a four-store operation, after closing three units in Florida and Oklahoma in the past year. Future growth will be in Chicago, with at least one store opening this year, said owner Lowell Edelson.

The local concentration will allow more efficient management of stores, said Edelson, who helped to pioneer deep discounting when he owned F&M Distributors.

Castle closed its Fort Lauderdale store last year, after landlord problems developed when the store's roof caved in. It sold a second West Palm Beach company unit to Freddy's Deep Discount stores. A franchise in Tulsa, Okla., closed last year after the owner died in an auto accident.

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Vol. 8, No. 13 June 9, 1986

Peoples adds key players to top management team

ALEXANDRIA, Va. — Peoples Drug Stores continues to remake its organization chart, with moves hinted at last month when it named David Eisenberg as its first coo ever.

Eisenberg, who is also executive vp at the nation's No. 7 drug chain, will directly oversee four top managers as he concentrates efforts on marketing, distribution and operations in the chain's drive toward a 3% net-to-sales ratio, $2 billion sales and 1,000 stores.

Appointments made

The appointments made by chairman, president and ceo Sheldon W. "Bud" Fantle were:

- Jeffrey M. Fantle as senior vp-operations.
- Frederick W. Edwards as senior vp-marketing, Eisenberg's former post.
- William J. Eagleson as senior vp-distribution and merchandise control.
- Leonard J. DeMino as corporate vp-pharmacy.

In addition, Joseph A. Pollard was named senior vp-corporate relations and advertising.

The younger Fantle, 38, comes to his post after serving as president and coo of the Lane Drug division since 1980. He'll replace Nicholas Simon, 62, who plans to retire.

Edwards, 46, a pharmacist by background, is being elevated from the president and coo spot at the Reed Drug division in Atlanta, a position he's had since 1981.

Eagleson, 49, will take his spot after four years as vp-merchandising at Peoples' mid-Atlantic and Midwest divisions.

To oversee Peoples' DCs

Eagleson will directly oversee Peoples seven distribution centers totaling 1.1 million sq. ft., which handle roughly 70% of all the merchandise sold at Peoples stores. He fills a vacancy left by Robert Chrichlow's retirement last November.

He'll also set inventory level goals, open-to-buy, and develop monitoring systems as merchandise controller.

With the appointment of DeMino, 56, Peoples is apparently reaffirming its commitment to pharmacy operations. In his newly created post of corporate vp-pharmacy, DeMino will set corporate policies on pharmacy practice, pharmacy computer systems and third-party insurer HMO and PPO relationships.

He joined Peoples 30 years ago as a staff pharmacist, and after a series of moves, served as vp-professional services in the mid-Atlantic division the past 10 years.

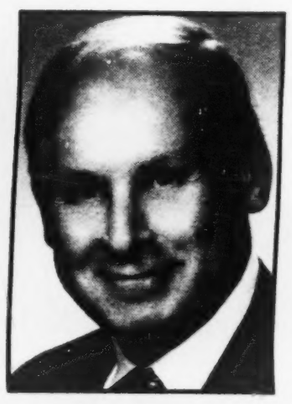
Pollard, 62, joined Peoples in 1970 as director of advertising

3 execs join *DrSN* board

Three key industry members have joined the *Drug Store News* Board of Advisers and Board of Pharmacy Advisers.

Gary Wilber

Frank Newman



Charles Trefrey

Stepping onto the first board are Gary Wilber, Drug Emporium executive vp, and Frank Newman, F & M Distributors president and ceo. In addition, Charles Trefrey, executive vp of the National Wholesale Druggists' Association, replaces the esteemed late William Ford, also of NWDA, on the pharmacy board.

Like their co-board members, Wilber, Newman and Trefrey will be instrumental in enhancing the overall quality of *Drug Store News*' industry coverage by helping its reporting and management staff identify key trends within the retail drug community.

Wilber functions as the coo responsible for all operations in both company-owned and franchised Drug Emporium stores, which make up the largest single network of deep discount outlets in the country and could be about 200 stores by the end of 1986.

Newman came to F & M earlier this year with the objective of readying the deep discount chain for an explosion in store counts, from 26 to more than 100 by 1990.

Newman was previously executive vp-franchised operations at Household Merchandising.

He was lured from Woolworth, where he helped chart that variety chain's new merchandising course as senior vp and gmm-hard lines.

Trefrey earned his post at the NWDA when it merged in late 1984 with the Drug Wholesalers Association, where he'd held a similar top spot. Tapped to replace Ford as NWDA president upon his scheduled retirement at the end of this year, Trefrey was named acting ceo.

NWDA represents 95% of the wholesale drug industry.

Rx chains deny porno charge

WASHINGTON — Major U.S. drug store chains denied "porn pusher" charges leveled during hearings by the Justice Department's Commission on Pornography.

In testy letters to the Attorney General's Office, Rite Aid, Revco, Dart Drug and Thrifty challenged testimony by the Rev. Donald Wildmon of the National Federation of Decency alleging that the drug chains are "major retailers of porno material." The drug store corporations fired back rebuttal letters after the Justice Department asked more than a dozen top chains to respond to testimony by an "anonymous" witness (later identified as Wildmon).

Companies reply

Using nearly identical words, Revco and Rite Aid officials declared that their companies are sensitive and committed to "the goodwill of the communities in which we do business."

"It is this sensitivity to the community standards which determines whether we will offer adult publications for sale," said I. Lawrence Gelman, Rite Aid associate counsel.

Like Gelman, Revco senior vp Martin Zeiger stressed his company's awareness of community standards.

"With all due respect to Mr. Wildmon, his assertion that a publication is pornographic does not, ipso facto, make it so," Zeiger said.

Rite Aid and Revco officials said that magazines banned by law or court decisions or that violate "clear community standards" are not sold in company stores. In addition, both chains have instructed employees that the publications cannot be sold or be accessible to minors.

Thrifty Corp. assistant vp Gary S. Meade also denied "categorically" that the company retails "porno magazines."

"We only sell magazines that are mainstream publications requested by the general public," Meade stated. The store carries "commonly accepted " titles as *Playboy* and *Penthouse*.

Acknowledging sales of "men's sophisticates magazines," Robert J. Goldstein, Dart Drug senior vp, said such magazines are " behind a locked case with panels covering everything but the titles. . . ."

Sale discontinued

Despite the vigorous defense of adult magazines stocked by their chains, Dart Drug and Rite Aid officials elected to discontinue sales of controversial publications such as *Playboy* and *Penthouse* following disclosures by the commission. Others that have recently withdrawn "adult" magazines are Peoples, Eckerd, Gray Drug Fair and 7-Eleven.

FINANCIAL

Arbor stock hits $22 a share

TROY, Mich. — Arbor Drug stock promptly rose three points after its initial stock offering was placed at $19 a share on April 29. The growth—which topped out at $22 a share before falling slightly—was the result of strong investor interest in the company, according to a spokesman for one of the three underwriters.

The two million shares offered were at the high end of the $16 to $19 a share price named in the prospectus because of investor demand and the number of orders placed, Arbor's performance, and the stock market climate, a source close to Arbor said.

Popular offering

"It was a very popular offering," he added. About one-third of the shares were traded on the first day, a level that indicates buyers were eager to enter the market to acquire more shares.

"A lot of people were very happy with the stock, and some people wanted to go in and get more," the broker said.

Proceeds from the offering, which was announced last month, will primarily fund Arbor's expansion plans, including a probe into the Southern markets of Charlotte, N.C., and Myrtle Beach, S.C. The company sold 900,000 shares, and Arbor owners unloaded 1.1 million shares to the public.

Traded under the symbol "Arbor," the stock closed at 22 at presstime, with 94,600 shares traded on the NASDAQ Over-the-Counter market.

Owens & Minor sales up

RICHMOND, Va. — Owens & Minor reported 22% higher sales and flat earnings in the first quarter ended March 31.

Sales climbed to $106 million, up from $87.2 million in the comparable quarter a year ago.

Net income, however, remained at a constant $1.1 million.

The company reported that operating profit in its wholesale drug division was flat in the quarter for two reasons: a gross margin decline prompted by competitive pressures, and an operating loss in Miami.

The medical/surgical division, meanwhile, hiked its operating profits 17% in the quarter, despite the burden of heavier inventories, more spending on warehouse space and material handling equipment, and higher interest expense to prepare for its new contract to serve Voluntary Hospitals of America.

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 05/09/86 - 05/20/86							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change			5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)	
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.		Pct			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$		%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																											
Am Stores	ASC	57.75	53.50	53.75	-3.75	-6.52	68.25	53.50	-.29	-1.38	2.79	-3.33	4.11	-1.60	F	-28.0	30.0	1.1	13.1	.84	1.6	03-24-86	13889.5	154.5	1.2	34.45	24.44
Begley Co	BGLY	22.50	21.50	22.50	.50	2.27	23.50	15.50	.13	.39	-3.12	71.66	1.26	.50	N	42.7	10.0	1.1	13.5	.72	3.2	04-15-86	66.1	.7	1.7	13.77	18.84
Big B	BIGB	16.50	15.50	15.50	-1.00	-6.06	17.88	12.63	.53	-1.54	7.11	27.12	.61	-.07	F	-10.3	21.0	2.3	25.4	.00	.0	09-21-83	175.4	4.0	1.9	1.19	5.23
Drug Sys	DRGS	5.25	5.25	5.25	.00	.00	6.13	3.75	.19	.16	2.62	-60.90	.35	-.97	N	-100.0	NC	1.2	NE	.50	9.5	01-06-86	104.7	1.3	3.2	1.13	6.18
Fay's Drug	FAY	10.13	8.88	8.88	-1.00	-10.13	11.75	8.00	-.28	-2.63	1.39	14.94	.20	-.42	F	-67.7	21.0	.6	44.4	.20	2.3	03-21-86	445.1	2.8	2.6	4.00	4.30
Genovese Drug	GDX	14.25	12.88	13.38	-1.00	-6.96	15.00	9.13	.26	.83	.60	-12.98	.73	-.30	F	-29.1	39.0	1.2	18.3	.20	1.5	04-08-86	233.2	2.9	1.7	2.06	5.73
Longs Drg Strs	LDG	33.50	30.13	30.88	-2.13	-6.44	35.38	24.75	-.23	-1.28	-3.87	22.19	1.74	-.14	F	-7.4	8.0	2.5	17.7	.72	2.3	02-26-86	1480.8	37.7	1.9	.00	13.33
Medicare Glaser	MGCO	4.00	3.50	4.00	.25	6.67	5.00	3.50	-.36	.16	-1.05	33.23	.05	-.49	N	-100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Medicine Shoppe	MSII	27.50	27.00	27.50	.75	2.80	27.50	21.00	.52	.07	1.54	-11.77	.84	.14	S	18.2	47.0	22.4	30.2	.00	.0	00-00-00	13.4	3.0	9.2	.00	5.08
Perry Drug	PDS	18.63	17.50	18.00	.25	1.41	18.75	12.59	.38	-.59	-1.07	-27.71	.98	.18	Q	22.2	16.0	1.8	18.2	.22	1.2	05-19-86	521.6	9.6	2.0	9.77	7.79
Revco Drug	RDS	39.13	37.13	37.50	-1.50	-3.85	39.88	23.13	.33	-.82	-.85	-15.71	1.06	-1.01	N	-51.3	-6.0	1.6	39.1	.80	2.1	02-19-86	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	31.75	30.50	31.63	.13	.40	33.75	21.50	.28	.16	-3.47	-26.70	1.52	-.17	F	-10.1	8.0	4.0	20.8	.58	1.8	04-14-86	1564.1	62.5	1.9	2.02	8.58
Thrifty Cp	TFD	28.25	27.25	28.25	.50	1.80	29.88	18.13	.13	.30	5.55	18.15	1.60	.13	S	8.6	16.0	2.3	17.1	.64	2.3	05-05-86	1404.9	31.9	1.7	5.86	6.85
Walgreen Co	WAG	37.38	34.63	36.00	.75	2.13	37.38	22.50	.15	-.25	2.58	-17.03	1.53	.14	S	9.4	19.0	3.0	22.1	.50	1.4	05-15-86	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																											
Alco Hlth	AAHS	25.13	23.50	23.50	-1.50	-6.00	25.38	12.75	.24	-.67	2.35	26.17	1.10	1.19	S	NC	NC	1.4	19.7	.00	.0	00-00-00	955.4	13.0	1.7	.07	8.38
Bergen Bruns	BBCA	30.75	29.13	30.25	-.38	-1.22	37.25	24.50	-.34	-.17	6.00	9.78	1.82	.20	S	12.4	14.0	1.0	16.7	.32	1.1	01-28-86	2434.9	24.2	1.7	11.12	12.07
Bindley Wstn	BIND	11.63	11.25	11.50	-.13	-1.08	15.00	7.75	.31	-.06	4.21	14.66	.79	.10	Q	13.2	21.0	.8	13.4	.00	.0	05-01-85	626.9	5.2	2.3	8.51	6.30
Cardinal Distrb	CDIC	24.50	24.25	24.25	.75	3.19	25.25	14.22	.00	-.04	-1.45	-17.62	.92	.42	N	46.7	NC	1.2	18.4	.08	.3	03-25-86	320.0	3.7	1.7	.85	8.04
Durr Fillauer	DUFM	14.63	14.38	14.50	.25	1.75	15.25	9.25	.06	.33	2.51	19.63	.78	.01	Q	1.3	12.0	1.4	18.1	.16	1.1	05-19-86	427.1	6.1	2.7	5.30	6.69
Ketchum	KCH	21.00	19.63	19.75	-1.00	-4.82	23.25	14.75	.11	.17	-1.67	13.24	.56	-.01	N	-2.2	NC	.2	44.9	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	57.38	55.00	57.13	1.50	2.70	61.25	44.00	-.07	.90	-1.49	3.53	3.96	.36	F	10.0	.0	1.2	14.4	2.40	4.2	05-27-86	6285.0	77.9	1.5	12.99	30.40
Moore Med	MMD	20.38	19.63	19.88	-.50	-2.45	24.25	15.75	-.28	-.02	1.22	-33.21	1.45	.29	Q	25.7	16.0	2.5	14.0	.00	.0	05-23-85	147.9	3.7	2.7	2.30	6.87
Owens & Minor	OBOD	18.13	17.50	17.63	-.50	-2.76	20.25	13.38	-.03	.23	1.47	6.23	1.14	.10	Q	9.7	16.0	1.2	15.6	.28	1.6	03-14-86	367.3	4.4	2.6	7.15	9.34
Manufacturer's transactions																											
Abbott Labs	ABT	87.00	83.63	85.50	-.50	-.58	91.88	52.50	-.03	.05	-.02	11.97	3.88	.61	Q	17.6	17.0	13.8	21.0	1.68	2.0	04-09-86	3360.3	465.3	2.1	3.70	15.64
Am Home Prod	AHP	82.00	80.38	82.00	1.38	1.71	88.38	54.75	-.14	.15	-3.43	-10.22	4.70	.36	Q	8.1	10.0	15.3	17.0	3.10	3.8	05-07-86	4684.7	717.1	3.4	.00	15.19
Baxter Travenol	BAX	20.63	18.88	19.50	.25	1.30	20.63	12.38	.15	-1.17	2.77	-20.26	.85	.48	Q	200.0	-13.0	5.8	27.1	.40	2.1	03-11-86	2355.0	137.0	1.9	12.21	9.86
Block Drugs Co	BLOCA	24.50	24.00	24.50	.75	3.16	26.25	15.31	.38	.37	-4.07	-14.53	1.70	.22	N	13.6	12.0	10.5	13.3	.50	2.0	02-25-86	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	24.88	23.75	23.75	-.63	-2.56	25.25	12.00	.48	-.71	-3.88	7.86	.71	.17	Q	26.2	21.0	17.7	29.0	.05	.2	02-24-86	38.4	6.8	6.5	.00	4.42
Bristol-Myers	BMY	77.00	75.00	76.75	.25	.33	81.88	53.63	.04	.10	-.68	4.69	3.86	.42	Q	11.8	13.0	12.0	19.3	2.20	2.9	03-31-86	4444.0	531.4	2.5	.83	17.75
Carter-Wallace	CAR	60.25	58.25	59.00	-.88	-1.46	66.25	32.38	-.06	-.13	.22	-16.67	3.63	.97	F	36.5	22.0	6.9	16.3	.60	1.0	04-14-86	400.2	27.6	2.2	1.53	23.37
Forest Labs	FRX	18.31	16.50	17.38	-1.00	-5.44	19.69	10.56	-.33	.16	2.81	-50.85	.98	.61	F	164.9	28.0	16.0	17.7	.00	.0	05-16-86	42.4	6.8	4.5	.11	2.95
ICN Pharm	ICN	11.88	10.25	11.75	.75	6.82	15.63	8.50	-.55	2.66	-1.89	49.34	-2.10	-2.11	Q	-100.0	NC	-29.1	NE	.00	.0	00-00-00	62.8	-18.3	2.7	5.08	3.00
Key Pharm	KPH	18.75	17.75	18.63	.25	1.36	19.38	7.13	.18	.23	-2.65	23.43	-.02	-.57	Q	-93.4	NC	-.5	NM	.00	.0	09-09-85	152.1	-.8	3.4	2.52	1.60
Lilly Eli Co	LLY	70.88	67.88	69.75	-.88	-1.24	76.25	40.50	-.06	.38	.04	12.83	3.69	.27	Q	7.7	10.0	15.8	18.4	1.80	2.6	05-09-86	3270.6	517.6	1.9	1.71	17.12
Lee Pharm	LPH	30.50	23.50	30.13	4.13	15.87	30.50	4.63	2.18	6.19	3.89	22.56	.40	.27	S	87.1	NC	6.6	51.9	.00	.0	00-00-00	12.2	.8	3.1	.00	2.49
Leiner P Nutri	PLIN	14.25	13.50	14.00	.00	.00	15.00	8.25	-.16	.35	1.61	-30.74	.78	-.10	N	-12.5	NC	4.1	20.0	.00	.0	00-00-00	53.6	2.2	2.5	.00	4.90
Marion Labs	MKC	71.88	69.00	70.25	.00	.00	71.88	31.25	.52	-.12	-.52	9.34	.94	.45	N	52.9	41.0	12.2	54.0	.40	.6	06-16-86	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	187.50	178.50	183.63	3.75	2.08	187.50	103.50	.31	-.36	-.62	-20.20	7.58	1.15	Q	16.8	7.0	15.2	23.0	3.60	2.0	02-27-86	3547.5	539.9	1.9	2.43	37.54
Morton Thiokol	MTI	37.50	34.88	35.25	-2.38	-6.31	40.50	30.00	.14	-.33	-1.52	-11.24	2.50	-2.66	N	-67.9	13.0	6.7	28.0	.70	2.0	05-19-86	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYL	26.50	22.00	26.00	3.25	14.29	27.13	13.50	.07	3.02	.27	2.07	.86	.34	F	65.4	79.0	25.6	30.2	.10	.4	12-27-85	80.8	20.7	5.9	.09	1.22
Newport Pharm	NWPH	7.50	7.00	7.00	-.50	-6.67	14.50	6.25	.14	-.70	-2.91	-32.53	.05	-.08	N	-100.0	NC	6.7	NE	.80	11.4	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	16.25	15.25	16.00	.00	.00	23.25	14.25	.06	-.62	-.80	-2.78	.47	.08	S	16.0	75.0	14.1	27.6	.00	.0	00-00-00	21.3	3.0	2.2	.92	2.33
Pfizer Inc	PFE	60.63	57.38	60.25	.00	.00	64.88	43.75	-.08	.37	1.17	1.58	3.44	.35	Q	10.9	16.0	14.4	17.0	1.64	2.7	05-14-86	4024.5	579.7	2.2	1.97	17.87
Robins, AH	QRAH	11.75	10.38	11.25	-.50	-4.26	19.38	5.50	-.77	-.63	-.27	13.77	2.53	20.78	Q	NE	NC	8.7	4.4	.00	.0	11-19-84	706.1	61.4	3.8	.31	-1.95
Rorer Group	ROR	40.50	37.50	38.25	-1.25	-3.16	47.00	29.50	.16	.00	.66	-60.49	1.72	-.21	Q	-10.1	1.0	10.9	20.5	1.12	2.9	05-05-86	338.1	36.8	1.5	1.72	12.29
Scherer RP Co	SCHC	12.25	12.00	12.00	-.38	-3.03	16.50	10.75	-.50	.06	.41	-1.23	-1.23	-.80	F	NE	NC	5.7	NE	.32	2.7	03-07-86	185.8	10.6	1.7	4.07	9.72
Scher Plough	SGP	72.50	68.13	70.75	-.50	-.70	75.00	44.00	.09	-.03	-.27	31.15	3.77	.43	Q	12.2	-1.0	10.0	17.9	1.80	2.5	04-28-86	1927.1	192.6	1.6	4.04	28.59
Squibb Corp	SQB	95.25	90.38	95.25	1.38	1.46	106.00	59.13	-.21	1.23	1.59	.89	4.20	.64	Q	17.0	26.0	11.1	21.6	2.00	2.1	05-12-86	2041.7	226.6	2.1	3.52	27.41
Sterling Drug	STY	44.38	42.38	43.25	-.88	-1.98	47.13	29.50	-.09	.10	-.22	-24.28	1.83	-.51	Q	-21.2	-2.0	6.3	22.8	1.32	3.1	05-02-86	1753.7	109.7	2.2	1.47	15.75
Syntex Corp	SYN	59.50	54.38	59.00	1.25	2.16	59.50	28.88	.11	1.55	-1.00	.41	4.65	3.11	S	154.7	29.0	15.8	11.5	1.20	2.0	05-12-86	948.5	150.0	2.3	2.77	10.83
Thompson Med	TM	21.00	18.75	18.75	-1.38	-6.83	21.00	11.75	.82	-.87	3.01	-9.65	1.18	-.75	Q	-39.5	8.0	8.1	16.3	.40	2.1	03-24-86	136.8	11.1	5.5	.00	7.43
Upjohn Co	UPJ	89.00	82.38	84.38	-2.50	-2.88	90.50	50.38	.33	-.81	1.14	3.43	3.29	.85	Q	32.6	3.0	10.1	24.4	1.52	1.8	05-02-86	2017.2	203.0	2.1	6.08	20.88
Warner-Lambrt	WLA	59.50	54.50	56.25	-3.38	-5.66	59.75	33.75	.22	-.81	.37	-15.14	-4.05	-6.83	Q	-100.0	NC	-9.9	NE	1.56	2.8	05-05-86	3200.1	-315.6	1.4	4.47	11.12
Zenith Labs	ZEN	33.38	27.25	32.25	2.50	8.40	36.63	17.38	-.28	3.79	3.07	-14.85	1.46	1.04	Q	216.7	79.0	19.5	21.2	.00	.0	06-19-85	80.5	15.7	3.7	.17	3.41

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:
NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISING TRENDS

Checkstands: It's what's up front that counts

By Al Heller

Drug store operators are focusing on checkstands to help improve store productivity during the current period of lackluster sales growth and minimal inflation.

Eckerd, Fay's and Genovese have refixtured checkstand displays more in supermarket style, or are planning to do so this year, to give more display frontage and mass setup appeal to the typically high-impulse and high-margin products sold by checklanes.

Moreover, Rite Aid set up a new front-end planogram last month that includes space for in-and-out promotional items, and might experiment soon with low-priced novelty toys. Dart changes a portion of its front-end planograms every three months to keep them up to date and provide ample space for timely seasonal goods.

Speed a priority

Dart makes that effort despite its continuous advertising of 600 items each week and lack of electronic price lookup. Consequently, front-end speed is more a priority than impulse sales at the checklanes, but displays here give the chain another shot to reassert its image as a strong seasonal retailer.

On the West Coast, Thrifty has been giving its managers more leeway in setting up checkstand displays. All stores must have a rack for travel items, and managers must follow the headquarters-mandated assortment, but managers can now stock the end displays of two checkstands on their own, according to a company source.

Many managers, he said, have opted for the mass impact of single "good value" items, such as a manicure/pedicure set at $1.79 or a 5-pack of disposable lighters at $2.99.

Visual interest stimulant

The manager of a company-owned Drug Emporium said front-end displays are switched around every six weeks to stimulate visual interest and jar shoppers into recognizing what's for sale there.

On the other hand, Woolworth's deep discounter Rx Place intentionally keeps a clean front-end, displaying just one item per checkstand in a bow to the front-end speed requirements of a heavily trafficked store. During a recent visit, checkstand ends had items as diverse as boxed candies and plastic bottles of Hershey chocolate syrup.

These are just a few examples of how major chains across the country are fine-tuning performance from their most valuable piece of real estate: the checkstand.

How important do drug chains consider this part of the store? So important that presidents and vice presidents of operations and merchandising are cumulatively involved 50% of the time in checkstand decisions.

A key survey finding

This is one of the key findings in *Drug Store News'* 1986 Checkstand Merchandising Study, which was researched this spring by parent company Lebhar-Friedman Inc. A national telephone poll of headquarters executives and store managers yielded findings that reflect the spotlight shining on checkstand merchandising.

Heavy high-level headquarters involvement, tight planograms and specific product characteristics for checkstand items reinforce the high-stakes nature of front-end merchandising.

Genovese vp-marketing Don Gross summed up the urgency of making front-ends as profitable as they can be: "We involve the highest levels of marketing, merchandising and operations, but have also used recommendations from store managers to make some of our best decisions."

He spoke of a stringent planogram program, but also noted that the chain "doesn't mind when some of our more experienced store managers experiment, as long as our basic merchandising direction is followed."

Gross voiced the thoughts of a lot of drug industry management when he noted "store manager prejudice against magazines or periodicals because of the margins. But when you consider 15-18 turns a year and retail display allowances of 5% or more, they deserve to be there."

Team effort

Fay's president Dan Herrmann said that he, merchandising managers and store presentation executives determine front-end planograms after listening to input from store managers—

Continued on page 18

Testing products up front depends on who's talking

HQ, managers go for different approaches

How willing are drug chains to experiment with different types of products at checkstands?

As long as merchandisers consider a product to be high impulse, fast turning and high margin, unusual products apparently stand a better chance today than ever before.

Respondents named novelty toys, seasonal goods, jewelry and selected items attractive to children and young teens as items they've tested in the past year. Rite Aid, as an example, is considering the addition of low-priced novelty toys to the high stakes front-end turf.

Two approaches

But the answers to this question reveal two distinctly different approaches to checkstand merchandising—one from headquarters executives and the other from store managers. And this ongoing difference may be making some vp's balder earlier than they'd like.

Specifically, 33% of headquarters respondents said they'd placed a new type of product at checkstands in the past year. Store managers said they'd done it 52% of the time.

Store managers seem to be doing their own product performance testing at front-ends, whether headquarters execs say it's all right or not. The pressure to make numbers is resulting in noncompliance by store managers, who named a wider variety of items under checkstand test in the past year.

Store managers named 15 items to the 11 cited by headquarters merchandising and operations executives.

The main reason voiced by store managers for moving items like earrings, candy and kids' jewelry to the checkstand is to reduce the possibility of theft.

They've also brought watches, pearl beads, convenience foods, books and artificial roses to the front-end and have seen sales increase as a result.

Reduce risk of theft

Almost two-thirds (63%) of store managers polled rated "reduced risk of theft" as being very important in their product selection, compared with just 27% of headquarters executives surveyed.

Store managers also attached more importance to sale items, 33% compared to 7%, and items of excellent value, 37% against 23%, in their checkstand product selection.

There are differences, too, in items most favored at checkstands. The clearcut winners among headquarters and store respondents were candy/gum/snacks, cigarettes/tobacco and books/magazines.

Continued on page 20

Checkstand favorites

Candy/gum/snacks	100%
Cigarettes/tobacco	33
Batteries	23
Books/magazines	20
Cigarette lighters	17
Razors/blades	17

Percentages add up to more than 100% because of multiple responses from headquarters respondents, who named these as one of their three most favorite items to display at checkstands year-round.

Source: *Drug Store News* survey

What makes a checkstand item appealing?

Impulse appeal	93%
Quick turnover	83
Broad consumer appeal	73
Inventory turns	70
Sales per sq. ft.	70
High margin	60
Display allowances	40
Less risk of theft	27
Value	23
Mfr. display available	10
Sales items	7

Per cent of headquarters respondents who mentioned these factors as "very important." Store-level respondents correlated closely, except on less theft, named by 63%, and sales items, named by 33%.

Source: *Drug Store News* survey

Key Findings

Key findings of *Drug Store News'* 1986 Checkstand Merchandising Study include:

- More chains are planograming, raising the industry total to 47%.
- Candy/gum/snacks are the unanimous checkstand favorite among headquarters executives, more than tripling the frequency of mention for cigarettes and tobacco products, which are the second most preferred items for front-end display.
- Store manager compliance with front-end planograms is far from complete. Just 26% of store managers polled said they were aware of a planogram and followed it.
- "Reduced risk of theft" is the No. 1 reason store managers will place selected items at checkstands. A notable 63% of store managers polled said this was a "very important" factor in their product selection, compared with 27% among headquarters executives surveyed.
- Store managers apparently test new products at the checkstand without headquarters knowledge. More than half, 52%, said they'd experimented with a new item at the checkstand in the past year, compared with 33% of headquarters executives.
- Drug chain presidents and vps of operations and merchandising are cumulatively involved 50% of the time in checkstand merchandising decisions. They typically incorporate comments from store and district managers in their decisions.

The hottest checkstand categories

CANDY

Snickers
Hershey Kit Kat
Reese Peanut Butter Cup
M&M Peanut
York Mints
M&M Plain
Milky Way
Hershey Almond
Twix
Charms BlowPops
Three Musketeers
Sunline Assorted
Hershey Mr. Goodbar
Heide Gummi Bears
Peter Paul Almond Joy
Charms Pops
Snickers King Bar
Mars
Peter Paul Mounds
Hershey Milk Chocolate
Pay Day
Baby Ruth
Butterfinger

CIGARETTES

Marlboro King Soft Pack
Marlboro Flip Top Box
Kool King
Winston King
Marlboro Lights King Soft Pack
Salem Light King
Newport Soft Pack
Salem King
Pall Mall King
Salem Light 100
Merit King Soft Pack
Winston Light King
Marlboro Lights King Box
Salem 100
Marlboro Light 100 Soft Pack
Winston 100
Merit 100 Soft Pack
Marlboro 100 Soft Pack
Virginia Slim Lights 100 Menthol Box
Winston Light 100
Kool Long
Benson & Hedges 100 Menthol Soft Pack
Vantage King
Virginia Slim Lights 100 Box
Carlton 100

GUM

Wrigley Doublemint
Wrigley Spearmint
Wrigley Juicy Fruit
Dentyne
Wrigley Doublemint PlenTPak
Wrigley Freedent Spearmint
Wrigley Freedent Peppermint
Wrigley Big Red Cinnamon
Bubble Yum Wacky Fruit
Bubble Yum Bubble Gum
Bubblicious Wild Strawberry
Trident Spearmint
Chewels Sugarless Bubble Gum
Trident Cinnamon

MINTS

Velamints Peppermint Sugar Free
Life Savers Peppomint
Certs Peppermint
Certs Spearmint
Lifesaver Breath Savers Sugar Free Peppermint
Velamints Spearmint Sugar Free
Mentos Mint Roll
Certs Cinnamon
Tic Tac Assorted
Life Savers Wintergreen
Velamints Wintergreen Sugar Free

WATCHES

Casio
Armitron
Timex

COUGH DROPS

Halls Mentholyptus Tablets
Halls Cherry
Halls Honey Lemon
Halls Ice Blue
Ludens Wild Cherry
Halls Sugar Free Mentholyptus
Ludens Menthol

CIGARETTE LIGHTERS

Bic Disposable Singles
Bic Twin Pack
Gillette Cricket 4pk
Bic 4pk
Scripto Limited Edition
Bic Butane Disposable
Scripto Ultra Light

SHAVING NEEDS

Bic Disposables 5's
Gillette Atra 5's
Gillette Good News 10's
Gillette Good News Pivot 3's
Gillette Good News 5's
Schick 5's
Gillette Good News 3's
Gillette Atra Blades 10's
Gillette Good News Pivot 5's
Bic 10's

SUNGLASSES

Foster Grant
Visual Scene
Bonneau
Opti-Ray
Cool-Ray Optics
Polaroid

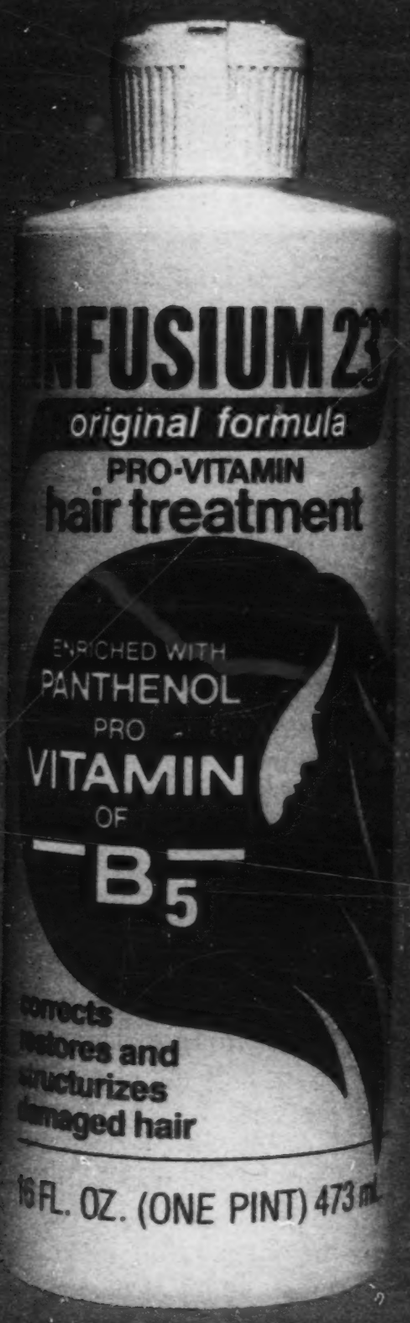
BATTERIES

Duracell 2-D
Duracell 4-AA
Duracell 2-AA
Duracell 2-C
Eveready Energizer 2-D
Eveready Energizer 4-AA
Eveready Super Heavy Duty 2-D
Eveready Super Heavy Duty 4-AA

OTHER

Magazines/newspapers
Film
Lip balms
Trim nail implements
Jewelry
Novelties
H&BA trial sizes
Playing cards
Pocket calculators

Source: Drug chain movement data



INFUSIUM
THE BEAUTY IS, IT

MERCHANDISING TRENDS

Front end theme: Show more

Seasonal checkstand favorites

Winter

Lip balm
Christmas/Valentine candy/cookies
Ice scrapers
Cold medicine/supplies
Gloves
Scotchtape
De-icers

Spring

Candy, especially Easter candy
Lawn and garden supplies
Suntan lotion
Umbrellas
Sunglasses
Charcoal

Summer

Suntan lotion
Candy and cookies
Soda
Sunglasses
Charcoal

Fall

Candy, especially Halloween and Christmas candy
Back to school supplies
Film
Holiday gifts

Source: *Drug Store News* survey
Combined headquarters and store-level responses

Continued from page 15

and they expect full compliance at the store level.

Planograms at the nation's 15th-largest drug chain do include about 15% flex space for store manager discretion on the display of seasonal items, he said.

Earlier this year, Fay's began using different cigarette pack and candy racks that provide 30% more display space without cluttering checklanes, Herrmann said.

That seems to be a recurrent theme: Show more product and build more profits without slowing the checkout transaction.

Views differ

But the way chains eye profits here varies widely: "You can sell every square inch [through retail display allowances] or go totally seasonal, which could make sense for a different retailer, or any combination in between," Herrmann summed up.

"For us it's a combination of RDA's and individual product performance. Very few things are dead heats," he added, referring to how Fay's selects one brand for checkstand display over another. "Buyer negotiations and a close examination of velocity are critical."

Perry Drug also took steps in the past year to clean up its checkstand act, according to vp-corporate merchandising David Peterson. A study by the chain's productivity department showed checklanes were overcrowded by merchandise displays, and they hindered the flow of customers through checkouts.

"Customers couldn't even place down their purchases on the counters," he said.

Perry responded with a strict planogram program that controls the space devoted to displays and the products appearing at the front-end. Perry currently reserves space by the back of each cash register for gum and cigarette lighters and sets a magazine rack on the counter.

Since the candy department is usually set adjacent to checkstands at Perry, Peterson feels the impulse feeling is already there and senses no further need to stock candy directly at the registers.

More space for candy

The A. D. Clark chain in Los Angeles, on the other hand, has carved out additional display space for candy bars at 3 out of 6 checkstands in each store. It recently added a 24x8-in. metal rack above magazines, bringing 49¢ big block bars to eye level for greater impulse without upsetting the core display configuration.

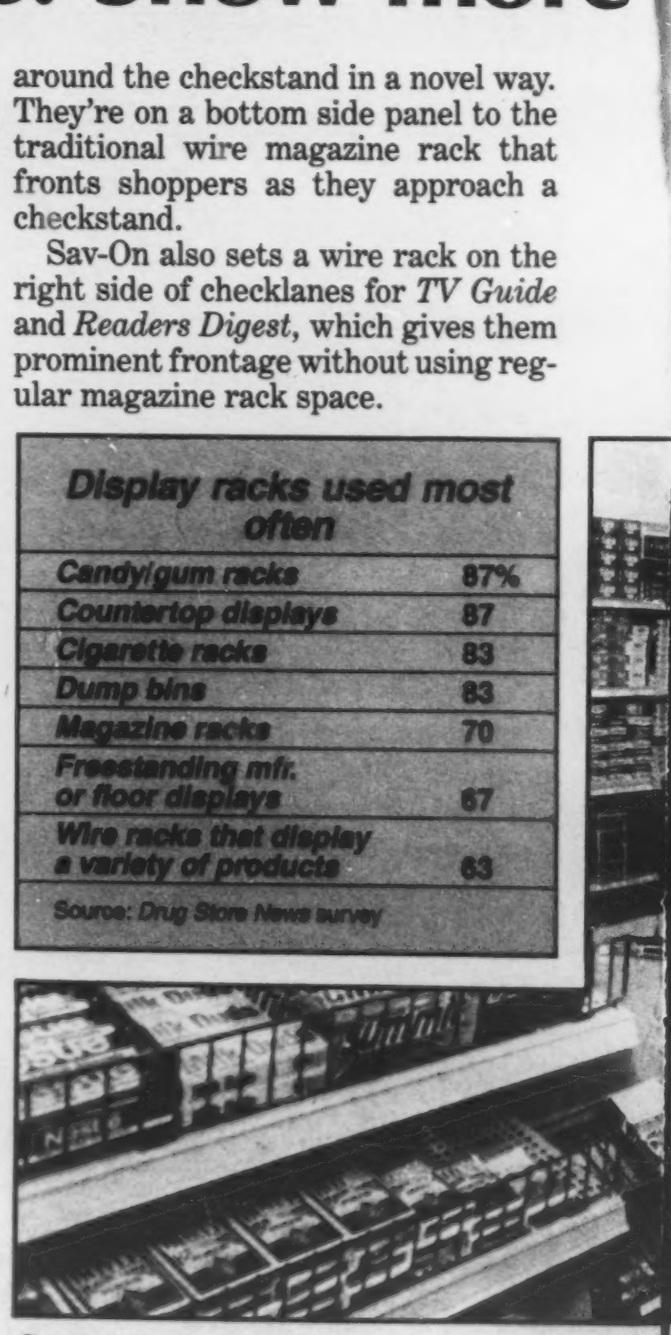
At Sav-On in the same market, *Good Housekeeping*, *Cosmopolitan* and *Los Angeles* magazines are wrapped around the checkstand in a novel way. They're on a bottom side panel to the traditional wire magazine rack that fronts shoppers as they approach a checkstand.

Sav-On also sets a wire rack on the right side of checklanes for *TV Guide* and *Readers Digest*, which gives them prominent frontage without using regular magazine rack space.

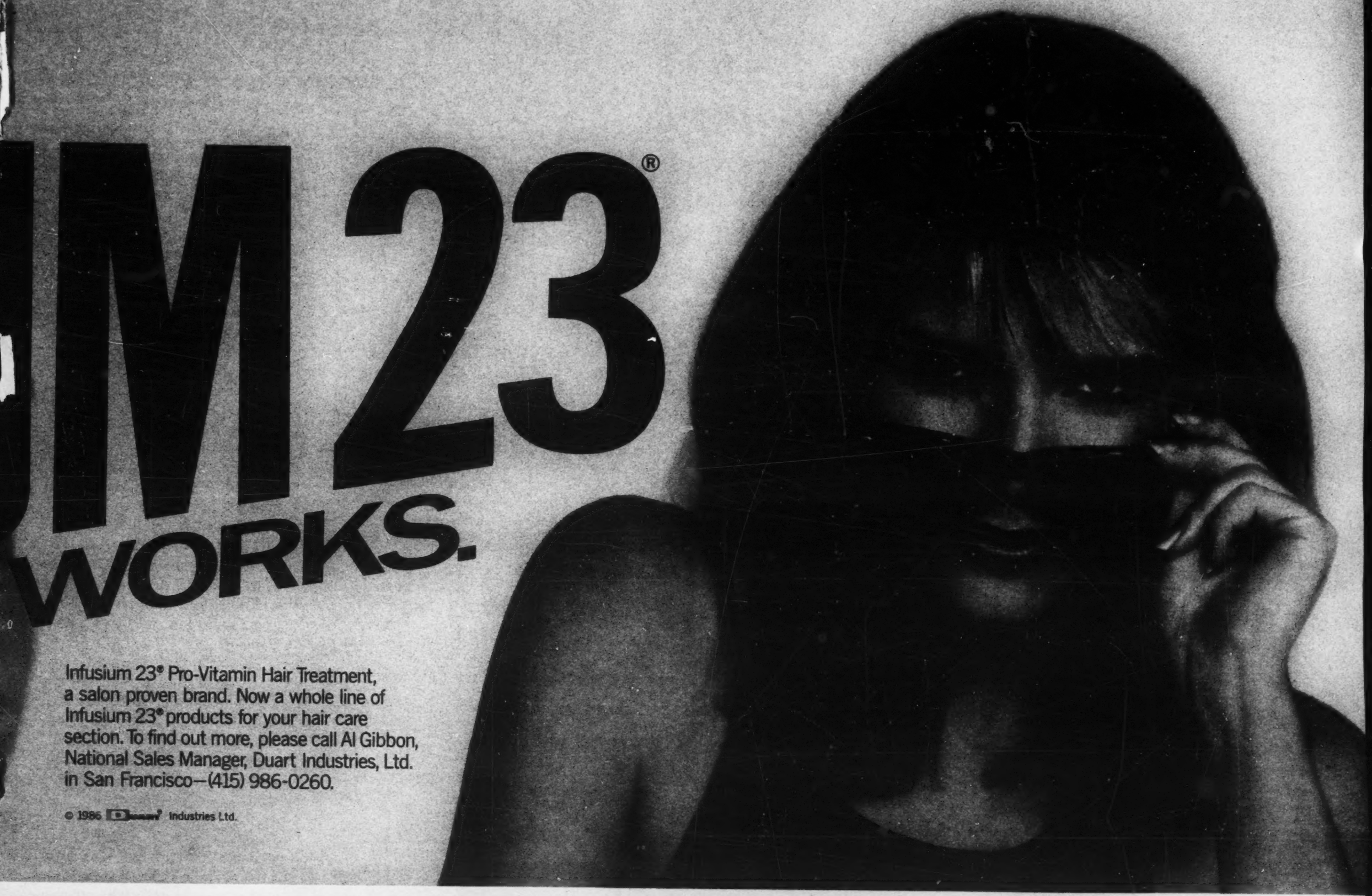
Display racks used most often

Candy/gum racks	87%
Countertop displays	87
Cigarette racks	83
Dump bins	83
Magazine racks	70
Freestanding mfr. or floor displays	67
Wire racks that display a variety of products	63

Source: *Drug Store News* survey



Candy, cigarettes remain among the favored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Checkstand strategies

MERCHANDISING TRENDS

items, speed checkout

Planograms changed

At Dart Drug Stores on the East Coast, vp-merchandising Allan Nehman works with three assistant vp's to determine planograms that change every three months to match assortments to seasons.

Dart stores have four to eight checklanes, each with a planogrammed pegboard and a 4-ft. seasonal display near-

checkstand items as at Eckerd, Dallas.

by, said assistant vp-merchandising Ed Brandeis.

"We don't tolerate any deviation from store managers," he said. "If we come up with a new checkstand item, we tell managers exactly where to put it and the product it replaces."

Dart, which lives by its advertising and mass displays, takes a slightly altered approach to checkstand merchandising. While devoting some space here to its strength, seasonal goods, Brandeis recognizes "you still can't really sell at the checkstand, but just make people aware you have certain items. And they probably all have to be priced less than $5, or you lose the spontaneity."

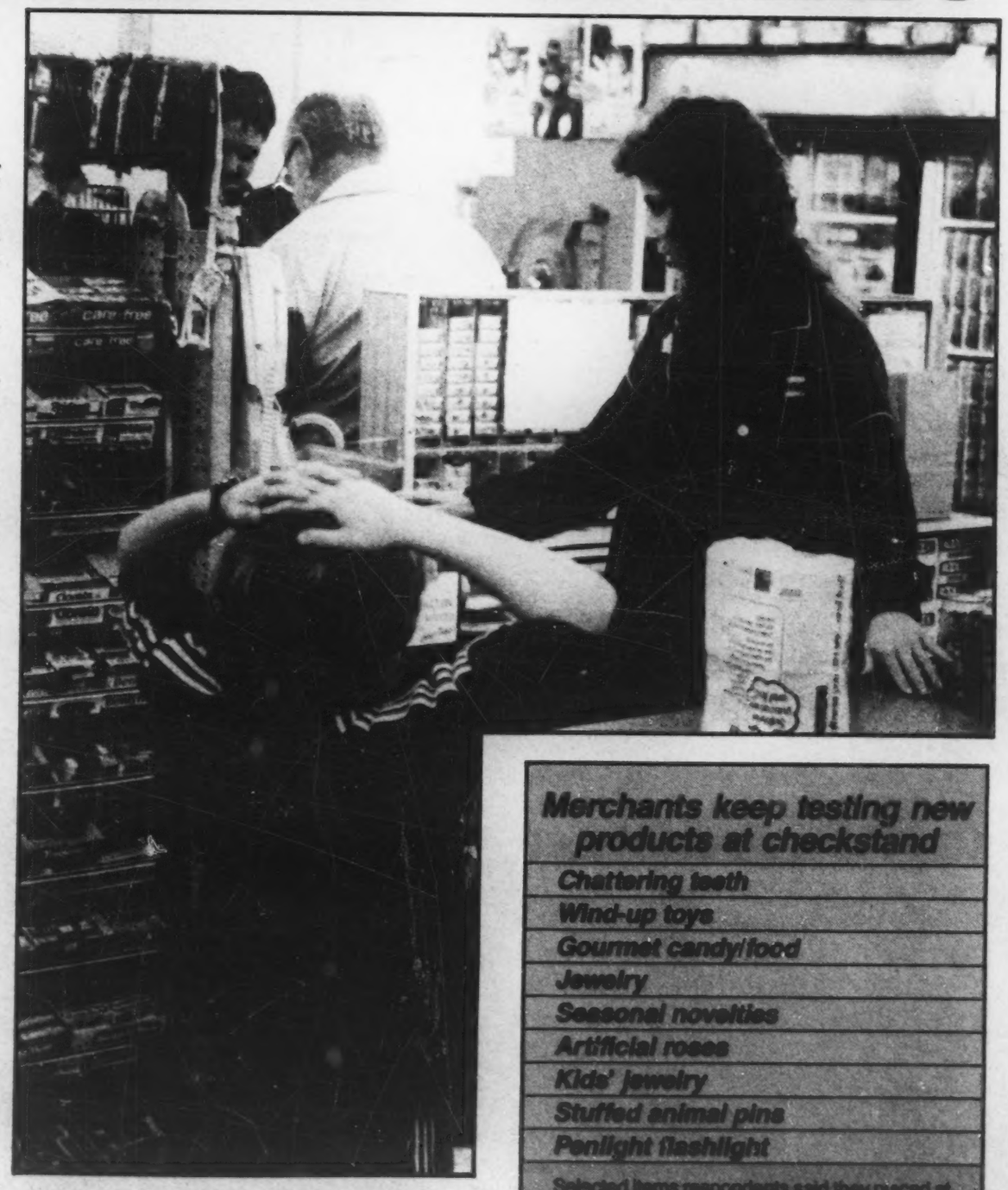
To borrow a classic ad slogan, to retailers it's what's up front that counts.

* * *

The 1986 *Drug Store News* Checkstand Merchandising Study is based on interviews with 57 merchandising, operations and store-level executives from among the Top 100 drug chains. Thirty were headquarters interviews and 27 store-level.

People interviewed are directly involved in merchandising the main checkstand areas for their retail chains.

Telephone interviews were conducted between March 27 and April 10, 1986, by professional interviewers under the direct supervision of Lebhar-Friedman Research.



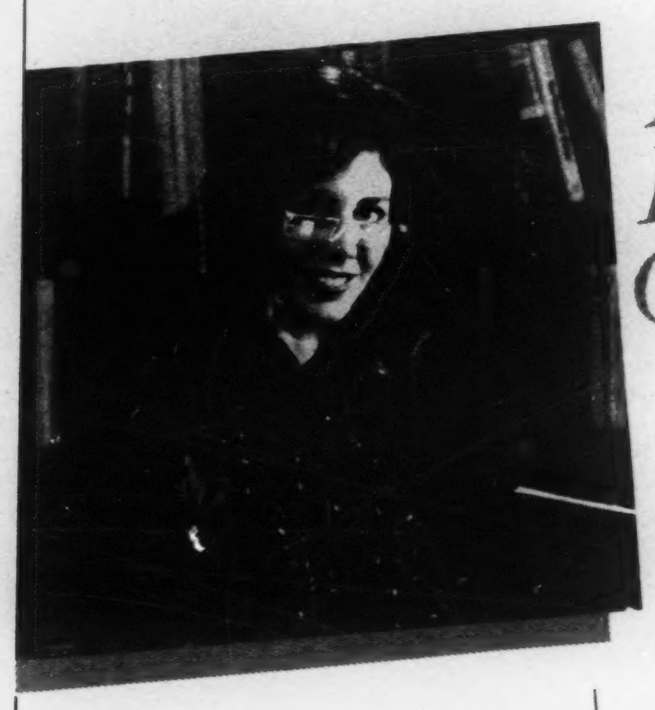
Space-efficient racks at Longs, Livermore, Calif., allow for more high-impulse, high-margin items at front end.

Merchants keep testing new products at checkstand

- Chattering teeth
- Wind-up toys
- Gourmet candy/food
- Jewelry
- Seasonal novelties
- Artificial roses
- Kids' jewelry
- Stuffed animal pins
- Penlight flashlight

Selected items respondents said they placed at checkstands for first time in past year.

Source: *Drug Store News* survey



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MERCHANDISING TRENDS

Store managers

Products most frequently endcapped	
Health & beauty aids	47%
Seasonal	23
Cleaning/household supplies	17
Promotional items	13
Sale and new merchandise	13
Advertised specials	10
Sundries	10
Candy/gum	10
Groceries	7
Cosmetics	7

Source: *Drug Store News* survey, headquarters respondents.

In contrast to checkstand merchandising, which is largely headquarters-driven, endcaps throughout stores are left pretty much under store manager domain.

Store managers, in fact, were named by three out of four store-level respondents and one in three headquarters executives as having responsibility for endcap decisions. In both instances, store managers had clearcut recognition as the key influence.

Presidents, vice presidents and buyers were each named just 10% of the time by headquarters people surveyed and just 4% of the time by those at store level.

The decentralized approach evident in these findings reflects the far different nature of endcap products from those that might typically appear by checkstands.

Endcap items

Endcaps are far more likely to include in/out promotional merchandise, seasonal products that could vary by region, merchandise tailored to local market needs, consumables and health & beauty aids. Because movement of each of these products could differ greatly by store location, industry logic says to leave endcap merchandising to the hands-on decision maker on

Testing

Continued from page 17

However, batteries were perceived far more strongly by merchandising executives, 23%, than by store managers, of whom just 4% said they'd want to display them at checkstands all year long.

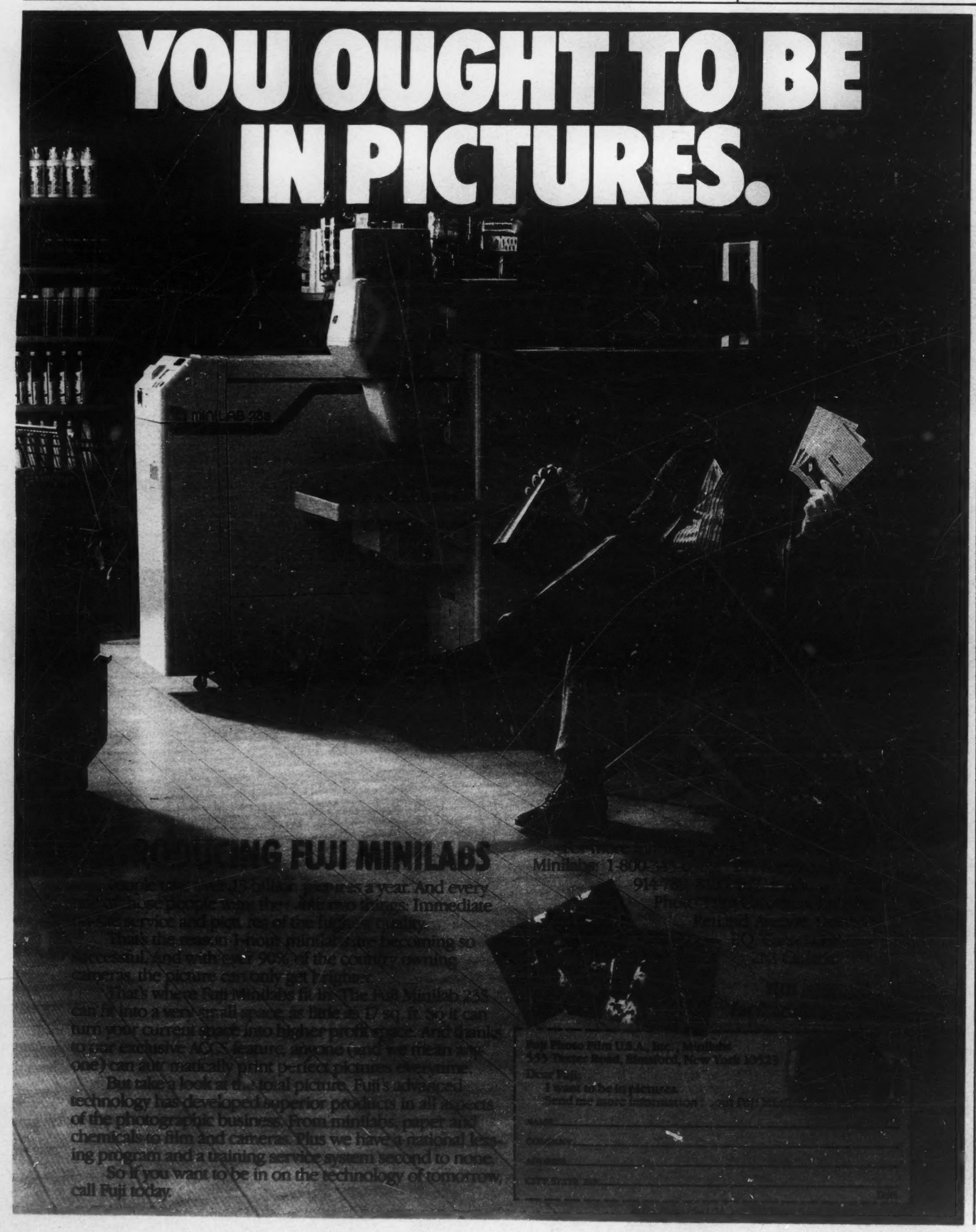
Similarly, 17% of headquarters execs opt for razors and blades and cigarette lighters at checkstands, compared with 4% and less of store managers.

On the other hand, store managers were more than twice as likely than merchandising and operations directors to place novelty and trend items by the checklanes, 15% compared with 7%.

They concurred, however, on some of their favored seasonal checkstand items. They are, according to survey findings: lip balm in winter; Easter candy, flowers and garden supplies in spring; suntan lotion in summer; and back-to-school supplies and Halloween and Christmas candy in fall.

Perhaps because they recognize the venturesome nature of store managers, chains have increasingly turned to planograms at the front-end to achieve new disciplines and more consistent performance from store to store.

Today, 47% of retail drug chains planogram their check-



Checkstand strategies

call the shots on endcaps

the scene: the store manager.

While chains typically use endcaps for mass display appeal of a particular product, Peoples Drug is one chain that can effectively use an endcap by the front end to convey a complete themed message.

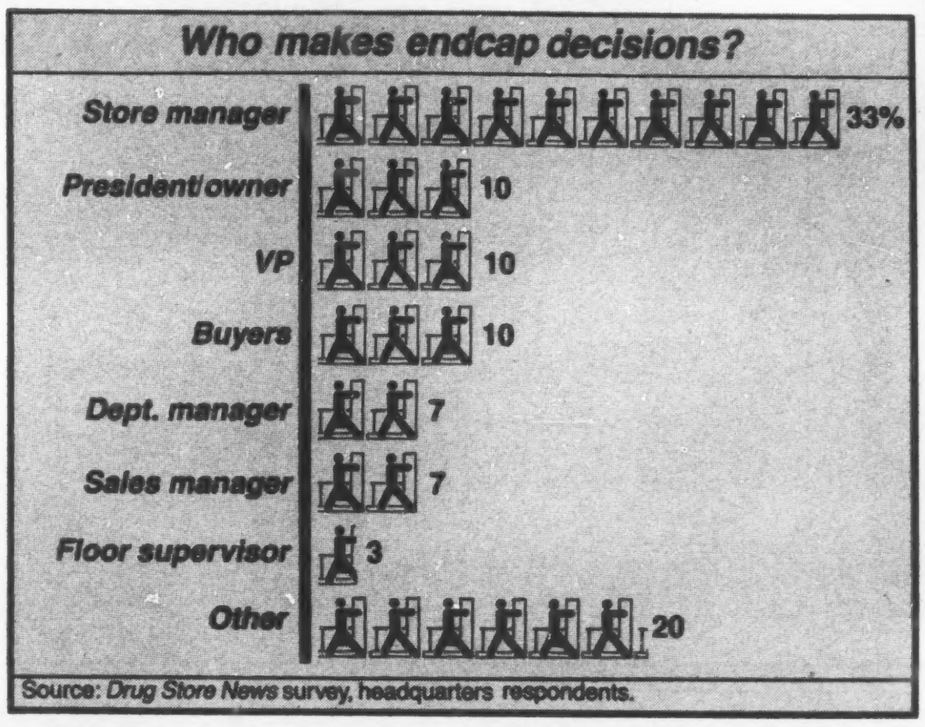
A recent visit to a store near its Virginia headquarters revealed that Peoples used an endcap opposite its entrance and front cash register to tell a back-to-school story. A single endcap had on it crayons, pens, type, memo pads, glue, writing tablets, spiral notebooks, portfolios, three-ring binders and trapper keepers.

That sort of endcap stressed seasonal needs in the highest visible location and benefited from front-end traffic.

Building impulse buys

Similarly, Perry builds a strong impulse feeling for candy purchases by usually setting its candy department, with endcaps, opposite checkstands. That eliminates the need to stock candy directly at the registers.

When store managers were asked what products they'd most likely merchandise on endcaps, 44% said seasonal. This was followed by 30% who said "anything/everything" as long as it's inherently high impulse or tied to advertising or a special promotion.



Nearly one store manager in five, or 19%, said candy/cookies/snacks would be appropriate endcap items; 15% said health & beauty aids.

Not surprisingly, these perceptions differed from those voiced by headquarters merchandising and operations executives. Nearly half, or 47%, felt H&BA was suitable for endcaps. This was followed by 37% who said "anything/everything" and nearly one in four, or 23%, who cited seasonal products.

The perception wasn't as high for other products, whose frequency of mention ranged from 17% down to 10% among headquarters respondents. They are cleaning and household supplies, promotional items, sale and new merchandise, ad specials, sundries and candy/gum. Respondents often named more than one product.

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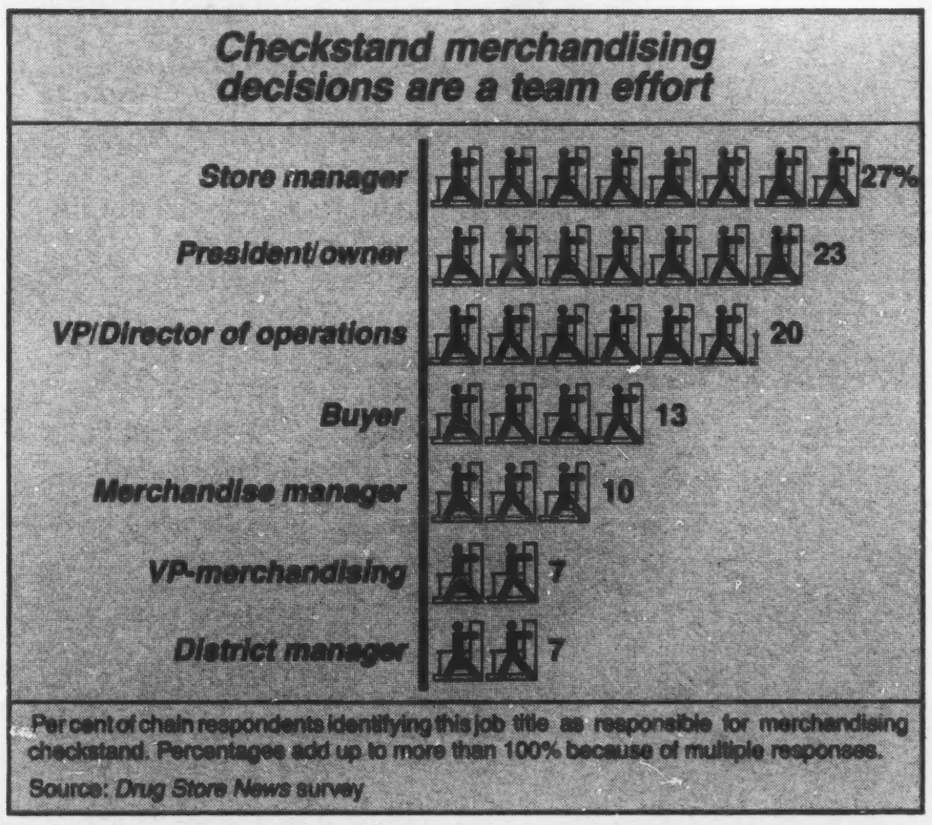

stand displays, according to survey findings. Compliance isn't total, however. Just 26% of store managers polled said they were aware of one and followed it.

Checkstand planograming

Central management at some chains are acutely aware of this enforcement problem, and allow some portion of checkstand display space for store manager discretion. Some chain executives said they tolerate some deviance from planograms as long as managers follow the chain's main merchandising direction, while others dictate every square inch.

There's probably little that can change the way either side thinks about checkstand merchandising.

Headquarters executives can just hope their managers don't consider possession to be nine-tenths of the law.

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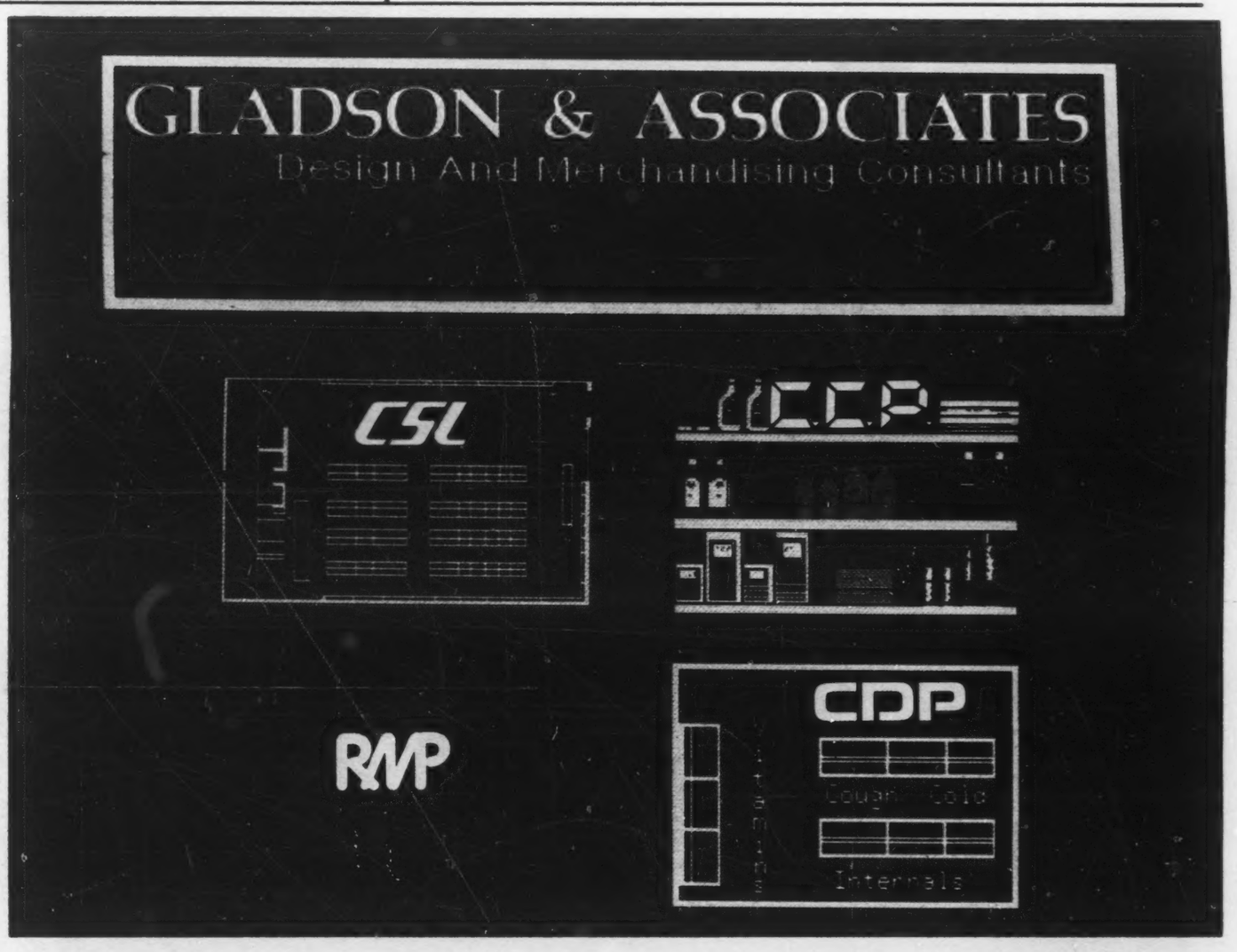

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